

Message Text

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SUBJ: UN BUDGET CURRENCY

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1. COPY OF CCAQ REPORT ON THE EFFECTS OF CURRENCY INSTABILITY ON BUDGETS (CO-ORDINATION/R.996) BEING FORWARDED DEPT UNDER SEPARATE COVER. TEXT OF REPORT'S SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS APPEARS BELOW. COMMENTS AND ADDITIONAL BACKGROUND INFORMATION ON JULY 7 ACC MEETING WILL FOLLOW.

2. BEGIN TEXT: SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS
(A) MOST OF THE ADDITIONAL DOLLAR COSTS HAVE ARISEN IN THREE AREAS OF EXPENDITURE: GENERAL SERVICE SALARIES AND ALLOWANCES; COMMON SERVICES; AND POST ADJUSTMENTS FOR STAFF IN THE PROFESSIONAL AND HIGHER GRADESS.

(B) THE MINIMUM ESTIMATED EXTRA COSTS HAVE TOTALLED \$3 MILLION IN 1971; \$16.8 MILLION IN 1972; AND ON CURRENT ESTIMATES WILL REACH \$31.2 MILLION IN 1973.

(C) THE DECISIONS OF GOVERNING AND LEGISLATIVE BODIES ON THE WAYS IN WHICH THE EXTRA COSTS SHOULD BE INHANCED HAVE DIFFERED
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AS BETWEEN ORGANIZATIONS, SOME OF WHICH HAVE HAD LITTLE

DIFFICULTY IN OBTAINING AUTHORITY FOR SUPPLEMENTARY APPROPRIATIONS, WHILE OTHERS HAVE HAD TO MAKE EXTENSIVE ECONOMIES IN THEIR PROGRAMMES.

(D) STRESS HAS NEVERTHELESS BEEN LAID, IN MANY GOVERNING BODIES, FINANCE COMMITTEES, ETC., ON THE NEED FOR SOLUTIONS THAT COULD BE APPLIED IN THE UNITED NATIONS SYSTEM AS A WHOLE.

(E) SINCE NO NEW PROCEDURE IS LIKELY TO AFFORD 100 PER CENT PROTECTION AGAINST CURRENCY INSTABILITY, SOME ADDITIONAL COSTS COULD STILL ARISE AND WOULD HAVE TO BE DEALT WITH EX POST FACTO, BY BUDGET SAVINGS OR ADDITIONAL APPROPRIATIONS.

(F) ANTICIPATORY MEASURES SUCH AS INCREASING THE LEVEL OF WORKING CAPITAL FUNDS, OR SETTING UP SPECIAL RESERVES WITHIN INDIVIDUAL ORGANIZATIONS WOULD HELP TO MITIGATE THE KIND OF PROBLEMS THAT HAVE ARISEN, BY PROVIDING AN AGREED METHOD OF PAYING FOR THE EXTRA COSTS, BUT THEY MIGHT TIE UP FUNDS UNNECESSARILY.

(G) A SYSTEM-WIDE RESERVE FUND WOULD CREATE EXTENSIVE ADMINISTRATIVE PROBLEMS, WHICH MIGHT REQUIRE A WHOLE NEW BUREAUCRATIC APPARATUS, AND MIGHT INVOLVE TRANSFERS OF RESOURCES BETWEEN ORGANIZATIONS WITH DIFFERING MEMBERSHIPS.

(H) OF THE SUGGESTIONS THAT HAVE BEEN MADE FOR CHANGING THE PRESENT UNIT OF ACCOUNT, THE UNITED STATES DOLLAR, FOR THE PURPOSE OF EXPRESSING BUDGETS AND ASSESSING CONTRIBUTIONS, THE MOST EFFECTIVE WOULD BE A SYSTEM WHICH RETAINED THE DOLLAR AS THE BUDGETARY AND ACCOUNTING UNIT, BUT UNDER WHICH CONTRIBUTIONS WOULD BE ASSESSED AND COLLECTED IN GIVEN PERCENTAGES OF (I) DOLLARS, AND (II) THE CURRENCY OF THE HOST COUNTRY, AT THE RATE OF EXCHANGE USED IN PREPARING THE BUDGET. THE PERCENTAGE TO BE COLLECTED IN THE HOST CURRENCY WOULD CORRESPOND AS CLOSELY AS POSSIBLE TO THE PERCENTAGE OF THAT CURRENCY USED FOR THE ORGANIZATION'S EXPENDITURES. SUCH A SCHEME MIGHT NOT BE SUITABLE FOR AN ORGANIZATION LOCATED IN A COUNTRY WITH AN UNSTABLE CURRENCY AND AN UNUSUALLY-HIGH RATE OF INFLATION.

(I) ORGANIZATIONS SPENDING MORE THAN 80 PERCENT OF THEIR BUDGETS IN THE HOST CURRENCY WOULD SWITCH ENTIRELY TO THAT CURRENCY AS THE ACCOUNTING UNIT FOR BUDGETS, ACCOUNTS AND CONTRIBUTIONS. FOR PURPOSES OF INTER-AGENCY COMPARISON THEY COULD CONVERT THEIR FIGURES INTO DOLLARS. END TEXT.

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